

WPC PREVIEW: Resetting the Fragrance Business

The financial crisis has exacerbated preexisting issues in the fragrance industry, presenting new opportunities for accessible innovation, clarity and simplicity

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Michel Mane will speak at the World Perfumery Congress (WPC; www.worldperfumerycongress.com) in Cannes, France, June 1–4, 2010. Read previous interviews with WPC speakers Karyn Khoury and Jack DiMaggio at www.perfumerflavorist.com/events/coverage.

The growth of our industry is directly linked to the pertinence of its innovations to existing and future consumer needs. Much like the subprime market, inadequate business models and the stifling of creativity in product development practices predictably precipitated a fine fragrance category implosion. The financial crisis only exacerbated the issues fine fragrances have been wrestling with over the past 15 years, and each market stakeholder along the value chain—including fragrance houses—has its share of responsibility in failing to address the industry's challenges.

Consumers' needs have profoundly shifted, but they have not fundamentally changed; the industry needs to change the way it fulfills them. Following the years of trading up, with brands focused on sophisticating the middle to high end of the market—and the prevailing confusion that went with it—consumers are now expecting the same brands to position more of their offerings at an entry-level price point. More than ever, facilitating consumers' choices with a dose of minimalism is all about accessible innovation, clarity and simplicity.

The personal care and home care industry has done a good job meeting functional needs while at the same time capturing what moves the consumer from an emotional standpoint. These products offer a wide playground to embed creativity and technology into innovative products. Fine fragrance, on the other hand, has traditionally

relied primarily on the creativity and craft of the brand and fragrance designers—that is until the inception of technologies such as Aquafine and ethically sourced and engineered ingredients that have created a sustainable platform from which to appeal to environmentally conscious consumers. From a product development standpoint, the quest for meaning through a commitment to values is a source of inspiration. Such initiatives require new (long-term) thinking, new science-based expertise, and better alignment and more sharing in risk-taking among like-minded stakeholders. It is fitting that the United Nations declared 2010 the International Year of Biodiversity, as this year's WPC will address how the sustainable use of our planet's biodiversity can become a meaningful source of innovation.

There are five key E's: expertise, education, ethics, energy and ego. Indeed, we should leave our ego at the door as our business is a question of satisfying the consumers' ego—not one's own self esteem. We in the fragrance industry should recognize where the innovation and the expertise are and trust the talents. Success is not predictable and is even less measurable up front. I hear CEOs warn their lieutenants about the limitations of consumer research protocols, and yet consumer research budgets are soaring and consumer testing agencies have never been so profitable.

So we should ask ourselves the real hard questions, such as how to reinvent the products that live through generations and crisis. Let's look at what we failed to do in the past—not what we did. The industry needs new leadership that thinks more like entrepreneurs, that seeks new ways to recognize and unleash the talent and passion of up-and-coming creators and fragrance designers.



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The dynamics of change is for the most part driven by the younger generation who become the real opinion leaders. Understanding how they communicate and decoding their aspirations will give us some valuable clues as to what fragrance and cosmetic products mean to them and what they expect from us.

Now is the time to recreate a culture of fragrance; fragrance is a key asset of brands, not a necessary evil that few people want to understand. The fine fragrance wardrobe is now a relic of the past—until we find a new reason for its existence. Alcohol is just another product form and a fragrance vehicle; what matters is what's in it, what message it inspires and what aspiration it delivers. Granted, value does not necessarily mean the cheapest product on the market, yet the differentiation + quality = value equation must be right in order for the consumer to pay three times as much (or more) for a 4 oz bottle of alcohol containing fragrance compared to the price of a lotion with a nice scent.

Our industry has become a little too serious, particularly in times of negative or slow growth. Why can't financial rigor go hand in hand with passion, creativity, pleasure and fun? We should be better inspired, rather than focusing on short-term financial engineering processes that do not create value other than to please stock market analysts. Good ideas and flawless implementation should be rewarded, as opposed to the acts of financial predators. So, how do we drive more emotion into our overly rational mindsets and processes? How do we regionalize and customize our fragrances and products to appeal to developing markets? How do we continuously drive relevant innovation and value to the top and the bottom of the positioning pyramid?

We have focused on the "profit" aspect of the 3P bottom line philosophy for too long. It is time we focus on the two others, people (poverty reduction) and planet (climate change). Shareholders and consumers are sending us clear messages, but the temptation for charitable actions vs. profound change in business practices is too strong. The fragrance houses are responsible for leading by example and embedding more green chemistry processes in the design of their natural products and aroma chemicals—rather than exporting pollution to developing countries. They should support ethical supply chains and encourage non-ethical ones to change their practices. They must finally organize new sustainable supply chains of innovative ingredients that will benefit all market stakeholders in an equitable manner.